



**Testimony of Courtney Knox
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Center for Community Progress**

Successes & Challenges of Michigan's Land Banks

**Local Government Committee
House Office Building Room 307
November 7, 2013**

Good morning. I would like to thank Chairman Price, and the other members of this committee, and your staff, for the opportunity to present testimony on the importance of land banks and land banking in Michigan. I commend each and every one of you on your interest in and commitment to the communities and residents in Michigan. It is my distinct pleasure to be here with you today.

I attended this committee's hearing on blight on October 10th. I watched as many of you shook your heads at the powerful and disturbing stories and pictures of blight and abandonment that were shared from various communities across our state. I share your concern and am all too familiar with those stories. Indeed, responding to blight is the focus of my work at the Center for Community Progress, a national nonprofit based in Flint that supports communities throughout Michigan and the nation in building systems and local capacity to reintegrate vacant, abandoned, and problem properties into economic and civic life. We work with governments, community leaders, and private sector partners, to assist with the development of tools and systems to address the full scale of problem properties – from prevention all the way through responsible property disposition. We work to help communities address immediate challenges while also driving broader, systemic changes to better manage problem properties over the long term and build stable, prosperous neighborhoods.

A significant portion of our work in Michigan involves providing technical assistance and education to the thirty-eight (38) land banks operating throughout the state. Many of the land banks in this state operate with full support from their local units, the residents of their community, and local nonprofit and for-profit organizations. To be clear, land banks are not the end all, be all of blight elimination. They are no silver bullet. However, land banks are an important tool for communities working to address blight. Today, I will share with you some of the successes of these land banks in the hope that you are able to better understand their importance and see how they are part of the solution.

Let me start with some general background information about land banks in Michigan:

- A land bank is a public authority created to efficiently acquire, hold, manage and develop foreclosed property, as well as other vacant and abandoned properties. To this end, the Michigan Legislature endowed land banks with special and distinct powers to allow them to better address challenging and chronic issues of blight and abandonment.
- Under Michigan law, land banks are created at the county level. In addition, the State of Michigan has its own land bank as does the City of Detroit.
- Land banks are often the owners of last resort, meaning that they acquire property that has long been vacant and abandoned and for which there is no market demand. Whether unbuildable vacant lots or dilapidated residential or commercial structures, these properties jeopardize neighborhood stability and threaten quality of life. There are real costs for these properties – yes to fix them up, but also to ignore them.
- In response to local need and conditions, Michigan land banks provide various services and programs such as the following:
 - Blight elimination
 - Demolition
 - Maintenance and management
 - Clean & Green and Adopt-A-Lot programs – where land banks partner with members of the community to maintain vacant lots within their neighborhoods.
 - Land Assembly – acquire and assemble property for future economic development or larger land use goals
 - Disposition
 - Side lot – which makes unbuildable property available to an adjacent home owner at a reduced rate
 - Repurpose or redevelop
 - Residential and Commercial Rehabilitation or Development – where land banks can partner with non-profit and for-profit developers to redevelop or rehabilitate residential, commercial and mixed-use large and small scale projects.
 - Rental – Where land banks offer quality rental housing as short term interim uses until the property is able to be sold to the tenant.
 - Urban gardens – where land banks allow resident to grow fresh fruits and vegetables on land bank vacant lots.
 - Recreation and public space - Where land banks can allow residents to use vacant property for neighborhood parks.

Of the 38 land banks in Michigan, each one operates to meet the unique needs and circumstances of its community. Marquette County's land bank is different from Saginaw County's land bank and Grand Traverse County's land bank is different from

Kalamazoo County's land bank. However, each of these land banks has benefited their community through strategic partnerships and creative financing- from the development of a river trail to the demolition of a vacant school to the redevelopment of residential housing and large scale development projects.

Some of the representatives in this room can speak in greater detail about the importance of land banks and the work land banks have done in their own communities:

- Representative Stanley could talk about the Durant Hotel project in which the Genesee County Land Bank partnered with Karp & Associates, a for profit developer, to rehab a historic hotel that sat vacant for almost 40 years – a project that could not have been successful if it wasn't for the acquisition and brownfield tools that the land bank brought to the table, including \$8.5 million in financing. The historic rehabilitation resulted in 93 residential and 7 commercial units and as part of a cross-collateralized brownfield TIF the taxes generated from the Durant Hotel are now being used to pay back a brownfield bond that was used to demolish thousands of houses across Genesee County.
- Representative Pagel could discuss the work of the Berrien County Land Bank Authority who worked in partnership with the City of Benton Harbor to demolish 241 properties and rehab 18 properties through the Neighborhood Stabilization Program 2 (NSP2).
 - Two of the properties, located at 976 and 982 Monroe, were acquired by the Berrien County Land Bank Authority through tax foreclosure. Both properties were then demolished by the land bank and a new home was constructed on 976 Monroe and sold to a new homeowner. The homeowner also purchased the adjacent side lot to increase the size of their yard. The side lot was the result of the demolition that took place at 982 Monroe.
- Representative Frantz could discuss the work of the Benzie County Land Bank Authority. The Benzie County Land Bank Authority is a relatively new land bank formed in late 2011 and currently owns a junk yard located off of County Road 669 in Inland Township. The junk yard suffered a tire fire and many of the tires were buried in an effort to put the fire out. The property was tax foreclosed and cycled through the auction process where it was not purchased. The county later received a grant to clean-up the surface tires however there are many tires that are still buried. After the creation of the land bank, this problem property was the first property transferred to the land bank authority. Benzie County recently formed a Brownfield Redevelopment Authority and is exploring partnership opportunities between their Brownfield Redevelopment Authority and Land Bank Authority to further the clean-up efforts on the junk yard site.

- Representative Tinsley-Talabi discussed the issues with vacant and abandoned schools in a committee hearing on blight back in October. This is not just an issue facing our urban cities.
 - In West Ishpeming in Marquette County, the school district sold off their vacant school buildings several years ago and for the last four years, these schools reverted back to the County through the tax foreclosure process. The land bank authority was able to use their tools to acquire and demolish one of the school buildings, and prepare the land for future redevelopment. This property is currently being redeveloped thanks to a partnership with Habitat for Humanity.

These are just a few examples of the extraordinary work being done across the state of Michigan by land bank authorities. As you can see, each land bank operates differently based on the needs and priorities of their own communities.

While land banks have a lot to offer, particularly in our distressed communities, they are limited from achieving their full potential impact due to a few structural constraints. Namely, land banks are challenged by a lack of consistent financing and revenue needed to maintain and invest in low value properties and return them to productive use. To address this obstacle, land banks have had to be creative and entrepreneurial. One source of land bank revenue is through the sale of property. To this end, some land banks partner with county and local governments to exercise their right of refusal to purchase properties prior to tax foreclosure auctions. Those properties with market value are quickly sold and put back into productive use, the proceeds from which are then invested into low value, blighted properties in need of abatement. Land banks can also apply for federal, state and local grants –for example Neighborhood Stabilization Program 2, the Attorney General’s national mortgage foreclosure settlement funding, the federal Hardest Hit Funds, and Community Development Block Grant and HOME funds. However these are not reliable, definite funding sources year to year nor are they available to all communities. Land banks can also redevelop properties and sell the properties generating revenue in order to implement the many programs that I have highlighted above. As vacant, abandoned, and problem properties continue to erode quality of life for residents and jeopardize future neighborhood stability, the need for adequate and predictable funding for land bank activities will grow more acute.

My purpose here today was to provide additional context regarding the importance of land banks in Michigan communities. Land banks play an important role in the preservation of the quality of life for our residents and communities across the state and throughout the country. Again, on behalf of everyone at the Center for Community Progress, thank you for your leadership.

Durant Hotel Project
Genesee County Land Bank Authority



BEFORE

Durant Hotel Project
Genesee County Land Bank Authority



AFTER

**Demolition & Rehabilitation
Berrien County Land Bank Authority**



982 Monroe St. Benton Harbor

976 Monroe St. Benton Harbor



BEFORE

**Demolition & Rehabilitation
Berrien County Land Bank Authority**



982 Monroe St. Benton Harbor

976 Monroe St. Benton Harbor



AFTER

Acquisition and Clean-Up
Benzie County Land Bank Authority



Acquisition and Clean-Up
Benzie County Land Bank Authority



West Ishpeming Demolition & Residential Development
Marquette County Land Bank Authority



BEFORE

CONCEPT C
WEST ISHPERING SCHOOL REDEVELOPMENT
ISHPERING TOWNSHIP, MARQUETTE COUNTY, MICHIGAN



West Ishpeming Demolition & Residential Development
Marquette County Land Bank Authority



AFTER

**Keweenaw
(Isle Royale)**

